

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 DOE-15 SOE-02
/112 W

-----124855 261241Z /45

P R 252120Z MAY 78
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC PRIORITY 8539
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 SAO PAULO 1540

E.O. 11652: GDS
TAGS: ELAB, BR
SUBJ: WORKERS ACHIEVING THEIR OBJECTIVES IN SAO PAULO STRIKES

REF: SAO PAULO 1434

1. SUMMARY: MOST METAL WORKERS ENGAGED IN STRIKE ACTION IN THE ABC INDUSTRIAL REGION AROUND SAO PAULO RETURNED TO WORK BY MAY 25, AFTER HAVING ACHIEVED THEIR GOAL OF A 15 PERCENT - 20 PERCENT WAGE INCREASE. THIS WAS THE FIRST SUCCESSFUL STRIKE ACTION SINCE 1964. THE TURNING POINT IN THE STRIKE WAS THE AGREEMENT TO INCREASE WAGES BY FORD MOTOR COMPANY, WHICH ACCOUNTED FOR NEARLY 40 PERCENT OF THE MORE THAN 20,000 STRIKING WORKERS. PRIOR TO FORD'S AGREEMENT, THE FEDERAL GOVERNMENT'S INTERMINISTERIAL PRICE COUNCIL (CIP) HAD ISSUED A NOTE STATING THAT FIRMS WHICH GRANTED WAGE INCREASES COULD NOT PASS THEIR INCREASED COSTS ON TO CONSUMERS. IT WAS BACKED BY A NOTE FROM THE LABOR MINISTER GUARANTEEING WORKERS' RIGHT TO WORK. NEVERTHELESS, AFTER THE FORD AGREEMENT, ONE FIRM AFTER THE OTHER AGREED TO INCREASE WAGES, PAY WORKERS FOR THE DAYS OF WORK STOPPAGE AND NOT PUNISH WORKERS WHO PARTICIPATED IN THE SITDOWN STRIKES. ABOUT 8,500
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WORKERS CONTINUE ON STRIKE AS OF MAY 25 AND MANY OTHERS HAVE SET MAY 26 AS THE DEADLINE FOR COMPANY PROPOSALS ON WAGE INCREASES. NONE OF THE FIRMS CURRENTLY ON STRIKE ARE THOSE WHICH WERE STRUCK INITIALLY. STRIKE/ACTION HAS SPREAD RAPIDLY FROM METALWORKERS IN THE AUTOMOBILE INDUSTRY TO WORKERS IN RELATED INDUSTRIES AND TO OTHER HIGHLY UNIONIZED INDUSTRIES, SUCH AS TEXTILES, CHEMICALS AND PETROLEUM PRODUCTS. NEWSPAPERS CARRY REPORTS MAY 25 OF

SEVERAL FIRMS THAT HAVE ANNOUNCED INCREASES OF 10 PERCENT - 20 PERCENT TO AVOID STRIKE ACTION. FINANCE MINISTER HENRIQUE SIMONSEN SAID THAT INCREASES SHOULD NOT AFFECT GOVERNMENT'S OVERALL ANTI-INFLATION POLICY BUT ECONOMISTS AND MANAGEMENT AT FORD, FOR EXAMPLE, FEEL THAT WAGE INCREASES WILL SPREAD THROUGHOUT INDUSTRIAL ECONOMY, AFFECTING PRICES. END SUMMARY.

2. THE STRIKE OF MORE THAN 20,000 METALWORKERS IN THE ABC INDUSTRIAL REGION OF SAO PAULO BEGAN TO BREAK ON MAY 19 WHEN ALCAN AND PERKINS MOTORS AGREED TO INCREASE WAGES. HOWEVER, THE REAL SHIFT CAME WHEN FORD MOTOR COMPANY, WHICH ACCOUNTED FOR NEARLY 40 PERCENT OF THE STRIKING WORKERS, FOLLOWED SUIT ON MAY 22. FORD IS APPARENTLY DISPOSED TO ACCEPT A UNION SUGGESTION OF A 15 PERCENT INCREASE FOR WORKERS MAKING UP TO CR\$8,500 (US\$483) A MONTH AND 10 PERCENT INCREASE FOR THOSE EARNING BETWEEN CR\$8,500 AND CR\$15,000 (US\$852). FORD ALSO AGREED TO PAY WORKERS FOR THE DAYS OF THE WORK STOPPAGE AND NOT TO PUNISH WORKERS FOR PARTICIPATING IN THE STRIKE. THE UNION AND FORD AGREED TO WORK OUT THE FINAL AGREEMENT BY MAY 31. VOLKSWAGEN, WHERE THE STRIKE HAD RAPIDLY SWELLED TO 5,000 WORKERS, AGREED ON MAY 23 TO SEEK AGREEMENT WITH THE UNION ON INCREASES. VOLKSWAGEN AT FIRST TRIED TO LOCK OUT THE WORKERS WHO WERE PARTICIPATING IN THE SITDOWN STRIKE, BUT SINCE THE WORKERS KEPT THE STRIKE SITUATION VERY FLUID, WITH SPORADIC STOPPAGES, VOLKSWAGEN'S ACTION ONLY DISRUPTED ITS PRODUCTION MORE. THE MAJOR FIRMS REPORTEDLY ON STRIKE AS OF MAY 25 ARE CHRYSLER, OTIS ELEVATORS, GENERAL ELECTRIC AND VILLARES EQUIPMENT. CONFIDENTIAL

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ABOUT 8,500 WORKERS ARE OUT AT THESE FIRMS AND SEVERAL SMALLER ONES. NONE OF THE FIRMS PRESENTLY STRUCK WERE INVOLVED IN THE ORIGINAL STRIKE ACTION, INDICATING THE TENDENCY OF THE STRIKE TO SPREAD TO OTHER INDUSTRIES. THE CONGEN ALSO RECEIVED REPORTS FROM THE PRESS AND FROM INDUSTRY SOURCES THAT GOODYEAR, RHODIA, WHITE MARTINS, ATLANTIC PETROLEUM, (IN RIO DE JANEIRO), AND MONSANTO CHEMICAL HAD AGREED TO WAGE INCREASES BETWEEN 10 PERCENT AND 20 PERCENT IN ANTICIPATION OF STRIKE ACTION. THE PETROLEUM WORKERS UNION HAS REPORTEDLY ISSUED AN ULTIMATUM TO PETROBRAS, THE STATE PETROLEUM REFINING MONOPOLY, THAT IT WILL BE STRUCK UNLESS AN INCREASE OF 20 PERCENT IS GRANTED AS OF JULY 1.

3. THE FEDERAL GOVERNMENT TOOK A STRONG STAND AGAINST THE ECONOMIC EFFECTS OF THE STRIKE ACTION WHILE ABSTAINING FROM INTERFERING IN THE STRIKE ITSELF. THE INTERMINISTERIAL PRICE COUNCIL (CIP) MET EXTRAORDINARILY ON SUNDAY, MAY 22, AND ISSUED A NOTE STATING THAT FIRMS WHICH GRANTED WAGE INCREASES WOULD NOT BE ALLOWED TO PASS ON THESE ADDITIONAL COSTS TO CONSUMERS. THE CIP NOTE WAS SUPPLEMENTED BY A STATEMENT FROM LABOR MINISTER ARNALDO PRIETO: "IT IS THE GOVERNMENT'S FIRM DISPOSITION TO GUARANTEE THE RIGHT TO WORK FOR ALL THOSE WHO WISH TO FULFILL THEIR OBLIGATIONS." FINANCE MINISTER HENRIQUE SIMONSEN FIRST

BRUSHED OFF REPORTERS, SAYING HE WOULD NOT TALK ABOUT HE MERITS OF THE WORKERS' DEMANDS BECAUSE HE REFUSED TO DISCUSS AN ILLEGAL ACTION. ONCE THE STRUCK FIRMS SET A PATTERN OF AGREEING IN PRINCIPLE TO WAGE INCREASES, HOWEVER, THE GOVERNMENT BEGAN TO BACKTRACK. SIMONSEN REPORTEDLY TOLD THE PRESS MAY 25 THAT THE WAGE INCREASES SHOULD NOT AFFECT THE GOVERNMENT'S ANTI-INFLATION POLICY, SINCE THEY WERE NOT MASSIVE ENOUGH.

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C O N F I D E N T I A L SECTION 2 OF 2 SAO PAULO 1540

HE SAID THAT THERE SHOULD BE NO ACROSS THE BOARD GOVERNMENT DECREED SUPPLEMENTARY INCREASE. HE ALSO STATED (CONTRARY TO HIS STATEMENTS SEVERAL MONTHS AGO) THAT HE PERSONALLY WAS IN FAVOR OF PERMITTING WAGE INCREASES TWO OR THREE TIMES A YEAR, RATHER THAN ANNUALLY, IN ORDER TO PRESERVE WORKERS PURCHASING POWER. SIMONSEN QUALIFIED HIS STATEMENT, UNDERLINING THAT HE WOULD NOT BE IN FAVOR OF INCREASES ABOVE THE GOVERNMENT-DECREED LIMIT, AND NOTED THAT HE WAS EXPRESSING A PERSONAL OPINION, NOT GOVERNMENT POLICY. (COMMENT: LAST YEAR, WHEN THE WORKERS WERE NOT SUFFICIENTLY ORGANIZED TO STRIKE FOR THEIR WAGE DEMANDS, NOT WAS THE NATIONAL SITUATION AS PROPITIOUS FOR SUCH ACTION, THE GOVERNMENT MADE A POINT OF TELLING WORKERS THAT THE GOVERNMENT-DECREED INCREASES WERE ONLY A MINIMUM. NOTHING PREVENTED WORKERS FROM ATTEMPTING TO OBTAIN HIGHER INCREASES FROM THEIR EMPLOYERS.) LABOR MINISTER PRIETO TOLD THE PRESS THAT HE WAS NOT AGAINST STRIKING WORKERS OR THE WAGE INCREASES THEY OBTAINED THROUGH THEIR STRIKE ACTION.

4. THE SAO PAULO STATE GOVERNMENT WAS ALSO PUBLICLY QUIET ABOUT

THE STRIKES, BUT PRIVATELY SYMPATHETIC. DURING THE FIRST WEEK OF STRIKES, GOVERNOR PAULO EGYDIO AVOIDED SAYING ANYTHING ABOUT
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THEM. FINALLY, ON MAY 22 HE STATD THAT HE SAW NO NEED FOR STATE INTERVENTION AND WOULD ONLY DO SO IF ORDERED IN WRITING BY THE FEDERAL GOVERNMENT. MEANWHILE, AN UNIDENTIFIED SOURCE IN THE STATE GOVERNMENT WAS WIDELY QUOTED AS CALLING THE STRIKES "JUST, ORDERLY AND PEACEFUL"... IN THE STATE SECRETARIAT OF LABOR, THERE IS A GOOD DEAL OF PRIVATE SYMPATHY FOR THE STRIKES, MAINLY ON ECONOMIC GROUNDS. OFFICIALS OF THE STATE SECRETARIAT SPECULATED TO CONGEN OFFICER THAT THE GOVERNOR'S ATTITUDE WAS SPARKED BY HIS UNHAPPINESS AT HAVING HIS OPPONENT CHOSEN BY THE PRESIDENT AS HIS SUCCESSOR. THE STATE POLICE DECLARED THAT THE STRIKES WERE PEACEFUL AND THAT THERE WERE NO SIGNS OF COMMUNIST INFLUENCE IN THEM. THE CHIEF OF CABINET OF THE SECRETARY OF LABOR TOLD CONGEN OFFICER THAT GEN. LUIS CORREIA, CHIEF OF THE NATIONAL INTELLIGENCE SERVICE (SNI) OFFICE IN THE LABOR MINISTRY, WAS IN SAO PAULO MOST OF THE PAST WEEK TO ECAMINE THE STRIKE AND RECOMMEND COURSES OF ACTION TO THE GOVERNMENT. SOURCE STATED THAT HE BELIEVED THAT GEN. CORREIA RETURNED TO BRASILIA SHARING THE OPINION THAT THE STRIKES WERE MOTIVATED BY ECONOMIC REASONS, WITHOUT POLITICAL CONNECTIONS.

5. EFFECTS OF THE STRIKE: A FORD OFFICIAL WAS GLOOMY IN CONVERSATION WITH CONGEN OFFICER. HE THOUGHT THAT THE WAGE SETTLEMENT WOULD CAUSE AN 8-10 PERCENT INCREASE IN THE COST OF FORD'S AUTOMOBILES. HE ASSUMED THAT THE GOVERNMENT, DESPITE CURRENT OFFICIAL STATEMENTS TO THE CONTRARY, WOULD BE OBLIGED TO GO AONG WITH THE PRICE INCREASES BECAUSE SO MANY FIRMS ARE GRANTING WAGE INCREASES. (BEYOND THE ADVERSARY RELATIONSHIP, THERE IS CONSIDERABLE SYMPATHY AMONG MANAGERS FOR WAGE INCREASES SIMPLY DUE TO THE INCREASED COST OF LIVING.) NEVERTHELESS, FORD FORESAW A DIFFICULT PERIOD AHEAD IN WHICH THE LAG IN INCREASED WAGES WOULD RESULT IN CONSUMERS RACHETTING DOWN THEIR STANDARD OF LIVING. HE GUESSED, AT LEAST IN THE SHORT RUN, THE WAGE INCREASES WOULD BENEFIT THE BOTTOM OF THE LINE VOLKSWAGEN BEETLE AND FIAT.

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5. A STUDY BY ECONOMIST EDUARDO MATARAZZO SUPPLY, PUBLISHED IN FOLHA DE SAO PAULO, SHOWED THAT AUTO FIRMS, SINCE THEIR PRICES WERE LIBERATED LAST YEAR, INCREASED PRICES OF VARIOUS MODELS 41 PERCENT TO 61 PERCENT BETWEEN APRIL 1977 AND APRIL 1978, ON FIVE SEPARATE OCCASIONS. DURING THE SAME PERIOD, WORKERS RECEIVED ONE 39 PERCENT. HE SUGGESTED THAT THE UNIONS HAVE BECOME

MORE SOPHISTICATED IN THEIR EXAMINATION OF THE FIRMS' FINANCIAL
ITUATION AND DECIDED THAT THEY COULD PROBABLY PRESS THEIR
DEMANDS WITH SOME CHANCE OF SUCCESS AND LITTLE RISK OF GOVERNMENT
INTERVENTION.

7. COMMENT: THE STRIKES WHICH BEGAN IN THE AUTOMOBILE
INDUSTRY -- THE SYMBOL OF BRAZIL'S "ECONOMI MIRACLE" -- ARE
EXPECTED TO BE REPLICATED IN OTHER HIGHLY UNIONIZED INDUSTRIES.
PART OF THE IMPETUS FOR CONTINUING STRIKE ACTION COMES FROM THE
BELIEF, SHARED BY SOME EMPLOYERS, THAT WORKERS DO NEED HIGHER
SALARIES THAN GRANTED THROUGH RECENT GOVERNMENT DECREES. MORE
THAN ONE EMPLOYER HAS ALSO IDENTIFIED A SPINOFF ADVANTAGE OF THE
STRIKE: CRACKING WHAT THEY CONSIDER TO BE EXCESSIVE GOVERNMENT
CONTROL OVER PRICES. MORE EFFICIENT FIRMS ESPECIALLY SEE A MARKET
ADVANTAGE FOR THEM IN A FREER ECONOMIC SYSTEM. GOVERNMENT
ECONOMIC POLICY, HOWEVER, IS UNLIKELY TO BE SWAYED NOW BY THESE
FIRST SIGNS OF DISCONTENT.
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Message Attributes

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Decaption Note:
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TAGS: ELAB, BR
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